



Date: November 6, 2012

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Reginald J. Johnson, Interim Director
Department of Community Development
Subject: Selection of Durham Community Land Trustees
For Southside Piedmont Rentals Project

Executive Summary

On July 23, the Department of Community Development issued a Request for Proposals (RFP) to select an experienced rental property development and management entity to undertake ownership, renovation and management of nine rental properties located on E. Piedmont Avenue in the Southside Project area. Four proposals were received and evaluated by a five-person review panel. The proposal submitted by Durham Community Land Trustees (DCLT) received the highest average scores in addition to being scored highest by all five individual reviewers.

Recommendation

The Department of Community Development recommends that City Council approve the selection of Durham Community Land Trustees as the tentative project developer for the Piedmont Rentals project.

Background

The nine rental properties are located on the south side of E. Piedmont Avenue between Roxboro Road and Scout Street and are included among the 71 residential parcels being acquired from Self-Help by the City of Durham. The nine properties consist of three duplexes and six single-family homes for a total of 12 units. The renovation of these properties as affordable rental units was included as a part of the five year funding strategy presented to Council in June. The funding strategy includes \$300,000.00 in general funds in FY 13-14 as a portion of the project cost.

Issues and Analysis

The RFP sought one experienced rental developer to own and manage the entire block as one single project. The City's vision as expressed in the RFP is to create a "showcase" project in terms of high quality and architecturally guided rehabilitation, a master landscape plan and the on-going maintenance of building exteriors and grounds by the developer/property manager.

As stated in the RFP, proposals were reviewed and evaluated on a 100 point basis as follows:

Existing Conditions Report (10 points) assessing existing conditions and needed improvements.

Renovation Plan (15 points) including a written narrative addressing the proposed exterior renovation (including material selection) and architectural enhancements. The RFP encouraged the inclusion of preliminary renderings.

Conceptual Landscape Plan (10 points) depicting any existing materials to be retained and areas for new plantings.

Preliminary Sources and Uses Summary (15 points) based on four units being affordable to households at or below 30% of the area median income (AMI), the remaining units subject to high HOME rent limits and gap financing from the City being in the form of non-amortizing loans.

Experience Statement (20 points) describing the organization's experience in acquiring, rehabilitating and managing rental properties subject to federal compliance requirements.

Development Staff and Team (20 points) describing the qualifications the development team including architects, landscape architects, contractors and other professionals as well as applicant staff that will have lead roles in renovation and property management.

Vision Statement and Property Management Plan (10 points) summarizing the applicant's vision and approach in seeking to undertake the project and maintain it as a highly desirable rental community over the long term.

In addition to DCLT, proposals were received from CASA, Development Ventures, Incorporated (DVI) and Asoka & Company. Both DVI and Asoka & Company proposed renovation of all 9 existing properties. DVI estimated a per unit cost of \$73,121.17 while Asoka & Company estimated a per unit cost of \$47,907.85. CASA proposed demolition of all nine properties, a rezoning and construction of 22 new units in four buildings at an average cost of \$123,860.68 per unit. DCLT proposed the demolition and replacement of three properties deemed not feasible for rehabilitation given the advanced stage of deterioration and the rehabilitation of the remaining six resulting in 11 rental units at an average cost of \$145,454.55 per unit. This figure includes site improvements, landscaping, appliances, construction contingency, soft costs, developer fee, and operating, rent-up and replacement reserves.

The proposals were reviewed by a panel including representation from City/County Planning, General Services, Equal Opportunity and Equity Assurance and Community Development. Average scores for the four submittals are presented in the following table.

	Existing Conditions Report	Renovation Plan	Conceptual Landscape Plan	Prelim. Sources & Uses Summary	Experience Statement	Dev. Staff & Team	Vision & Property Management Plan	Score Out of 100
DCLT	9.6	13.8	8.2	11.8	17.8	17.4	9	87.6
CASA	6.8	10.4	6.8	9.6	16	17.4	8.2	75.2
DVI	4.2	8.2	5.4	8.4	14.6	15.6	8.2	64.6
Asoka	1.4	3.8	7.2	7.2	10.2	9.2	4.2	43.2

Members of the review panel were particularly impressed with DCLT's very detailed existing conditions report and the architectural creativity displayed in presenting how existing "box like" structures could be transformed. Existing structures, proposed renovation or replacement plans and a slide show depicting street views can be viewed through the following link: <http://www.jodybrownarchitecture.com/piedmont/>

All eleven units would be affordable under DCLT's proposal. Four units would be affordable to and occupied by households with incomes at or below 30% of the area median income (AMI). The remaining seven units would be affordable to households at 60% AMI as specified by the "high" HOME rent limits. Based on the preliminary sources and uses submitted by DCLT, the investment by the City on a dollar by dollar basis would leverage \$2.48 in other investment. On a per unit basis, the City's investment in the creation of affordable housing would be approximately \$58,636.36.

Alternatives

The alternatives to selecting DCLT are to select another proposal or to hold the properties for future disposition. The Department intends to enter into a due diligence period with DCLT during which more refined plans and specifications and estimates of probable costs will be developed. A final recommendation to award funding to DCLT and transfer ownership of the nine properties would then be submitted to Council. Should the work performed during this period not result in a final project proposal submitted to and approved by Council, the tentative selection of DCLT will become null and void.

Financial Impact

On very preliminary basis, DCLT estimates a total project cost of \$1.6 million. Tentative sources include a \$400,000 market rate loan, a forgivable \$500,000.00 loan from the North Carolina Housing Finance Agency, a \$55,000 grant from NeighborWorks America and \$645,000.00 in non-amortizing loans from the City.

If Council approves the selection of DCLT, the Department recommends that the required HOME CHDO set-aside for FY 13-14 (approximately \$90,000.00 to \$100,000.00) be allocated to this project. Additionally, the FY 10-11 Annual Action Plan includes an award to Builders of Hope in the amount of \$211,000.00 for the acquisition/rehabilitation of former Self-Help owned properties in Southside that is likely available for reallocation to this project. The Department's objective is to work with DCLT to have all sources in place so that construction work can begin shortly after the beginning of the upcoming fiscal year which begins July 1, 2013.

SDBE Summary

The Equal Opportunity/Equity Assurance Department reviewed the proposal submitted by Durham Community Land Trustees, Inc. of Durham, North Carolina and has determined that they are in compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.

SDBE REQUIREMENTS

No M/SDBE or W/SDBE goals were set.

WORKFORCE STATISTICS

Workforce statistics for Durham Community Land Trustees, Inc. are as follows:

Total Workforce	7	
Total Females	4	(57%)
Total Males	3	(43%)
Black Males	1	(14%)
White Males	2	(29%)
Other Males	0	(0%)
Black Females	4	(57%)
White Females	0	(0%)
Other Females	0	(0%)

Attachments

None.